

Scottish Water: Privatisation of capital spending



Introduction

Scottish Water is a public corporation that delivers a publicly owned water and sewerage service to the people of Scotland, unlike the privatised service in the rest of the UK. It's a model that has served Scotland well, delivering clean fresh Scottish water to homes and businesses and removing sewage along some 60,000 miles of pipes. Despite our challenging geography the average Scottish water bill is lower than the average bill in England and Wales.

Despite this public sector success story the pressures for privatisation remain.

Capital Programme

Scottish Water has delivered a massive capital programme to update our aging infrastructure. It spends just under £500m a year on infrastructure including pipes and treatment works, funded largely by the water charge payer with borrowing support from the Scottish Government.

While Scottish Water is a public service there has been an incremental drift towards privatisation. Firstly, through hugely expensive PFI schemes that even the pro-privatisation Water Industry Commission (WIC) has criticised as being poor value for money. This has been followed by a broader PPP scheme, Scottish Water Solutions and the extensive contractorisation of Scottish Water.

The insider web site 'Utilities Scotland' has submitted FoI requests to ascertain the extent of privatisation in the delivery of the capital programme. The table below sets out the capital programme for each of the last five years and the proportion by value that is delivered by Scottish Water and external contractors.

	2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m	2013-14 £m
Regulatory Capital Spend	£648.80	£440.40	£461.20	£487.40	£475.20
Delivered by SW	£39.60	£38.60	£33.90	£40.20	tbc
Delivered by contractors	£609.20	£401.80	£427.30	£447.20	tbc

This table shows that in the last four years for which figures are available, 92.5% of Scottish Water's capital programme has been delivered by private contractors, 7.5% by Scottish Water staff. By any standard that is substantial privatisation.

KEY POINTS:

- Despite political support for public ownership, the privatisation sharks are circling around Scottish Water.
- 92.5% of the capital programme delivery is privatised.
- Claims that these jobs are located in Scotland are difficult to verify.
- We need to remain vigilant if we are to keep our public service.



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Scottish jobs?

Scottish Water likes to claim that over 85% of Scottish Water's supplier spend is with organisations who have locations in Scotland. They also say that the delivery of the capital expenditure has involved a total of 135 framework contractors – 106 being Scottish based and 29 being UK based, "helping to support jobs in the Scottish economy".

Utilities Scotland sought to test this claim by asking Scottish Water to break down the amounts spent into companies headquartered in Scotland, rest of the UK or outwith the UK. This is important because 'locations' doesn't necessarily mean Scottish companies or even Scottish jobs. It could simply mean a depot for a particular project. The number of 'framework contractors' is also fairly meaningless without knowing the value of the contracts. Lots of small value local contracts, or extensive sub-contracting could skew the significance of this statistic.

It hasn't been possible to test these claims of Scottish jobs because Scottish Water says they do not hold the information on headquarters, they only record whether contractors have a Scottish or UK base.

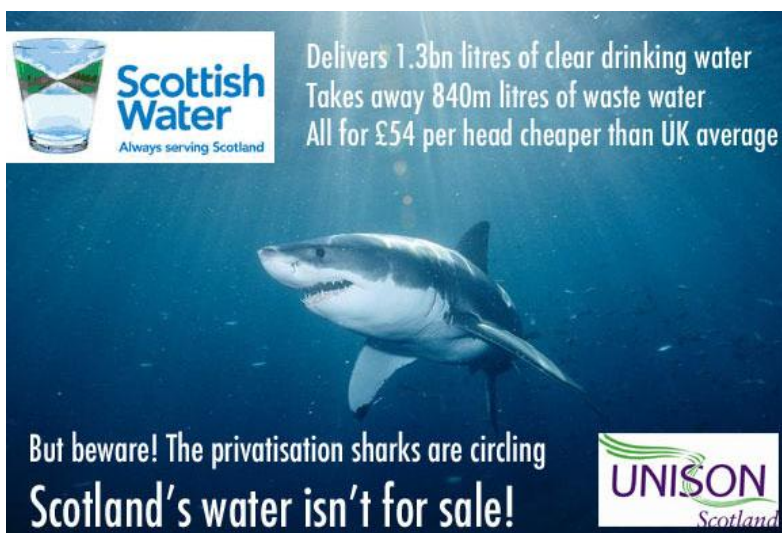
Political environment

Scottish Water has benefitted from a fairly stable political environment for a number of years. The SNP, Scottish Labour and the Greens have supported public ownership with only the Conservatives and Liberal Democrats making the case for privatisation. However, it is perhaps surprising that the White Paper '*Scotland's Future*' makes no mention of a commitment to a public water service should Scotland vote for independence in September. Given current SNP policy, it would be helpful if the Scottish Government gave some reassurance that this is simply an omission.

The reaction of the European Commission to the citizen's initiative, 'Right to Water', falls short of what 1.9 million people across Europe asked for. In particular, there is no proposal for legislation recognising the human right to water. The Commission has also not committed to explicitly exclude these services from the trade negotiations such as the Transatlantic Trade and Investment Partnership (TTIP) in their Communication. This could also have implications for Scotland's public service model.

Conclusion

Scottish Water is a public sector success story, but we are only too aware that there is a powerful lobby for privatisation. The gradual drip of privatisation has reached epic proportions in these disclosures about the capital programme. The privatisation sharks are still circling Scottish Water and Scotland needs to remain vigilant.



Delivers 1.3bn litres of clear drinking water
Takes away 840m litres of waste water
All for £54 per head cheaper than UK average

But beware! The privatisation sharks are circling
Scotland's water isn't for sale!

Further info

Utilities Scotland

<http://utilitiesscotland.com/2014/06/03/the-privatisation-of-scottish-waters-capital-programme/>

World Water Day

<http://utilitiesscotland.com/2014/03/22/world-water-day-dont-take-our-public-service-for-granted/>

UNISON Scotland – Defend Scotland's Water

<http://www.unison-scotland.org.uk/water/defendscotlandswater-mar2010.pdf>



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